CHAPTER 1

Overview of Kellogg on Integrated Marketing

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Current marketing practice is simultaneously exemplified by the seeming paradoxical extremes of mass branding and one-to-one relationship marketing. This book merges these two streams into a single, integrated concept. The chapters in this book describe the mass and relationship approaches and a vision of how these marketing philosophies can be combined. The contributing authors address methods for handling specific marketing activities to take advantage of these synergies.

The foreword, "Evolving Marketing and Marketing Communication into the Twenty-First Century," is written by Don E. Schultz, the pioneering thinker of integrated marketing communications and founder of the group by the same name at Northwestern University. Schultz describes how integrated marketing communications can and should be justified in terms of return on investment, thereby demonstrating the importance of this integrated vision for marketing in the future. Schultz shows how the two independent streams, mass and relationship marketing, parallel the history of the Marketing Department in the Kellogg School of Management and the Integrated Marketing Communications center in the Medill School of Journalism, both at Northwestern University. Communications to customers began as mass, undifferentiated efforts, including tactics of advertising, sales promotion, and even public relations. More recently, tailored approaches, such as direct marketing, allow an organization to become "customer-centric," primarily by being database-driven. Schultz demonstrates the importance of coordinating the communications to customers not only across media, but also, for example, across global reach and channel outlets, including the Internet. This coordination is not intended simply to streamline business practice and logistics. Rather, Schultz lays the groundwork for a theme that appears in most of this book's chapters: Marketers seek coordination and consistency in messages to build brands.

Kellogg on Integrated Marketing differentiates and simultaneously integrates classic, mass branding efforts with relationship, one-to-one marketing. The positions are defined and illustrated. In Chapter 2, Bobby J. Calder and Edward C. Malthouse describe a model for the *integrated marketing* concept and show how it can be implemented as a marketing management system and a guide to directing specific marketing activities.

Kellogg on Integrated Marketing continues with the authors addressing the daily activities of the marketing manager. Most of these activities share the principle goal of enhancing brand equity. Tom Collinger, in Chapter 3, "The Tao of Customer Loyalty: Getting to 'My Brand, My Way,' " considers what has probably become the premier marketing truism—the importance of customer loyalty. While marketers would presumably agree with the goal's importance, Collinger describes the challenges in achieving that goal. He recognizes that loyalty is not attained simply by offering a superior product or price, delivery system or customer service privileges, and so on. Rather, Collinger sets forth guidelines in the search for loyal customers and, with each step, describes some signals that you can use to assess your own company or your own brand to diagnose whether your company or brand is on its way to achieving customer loyalty.

In Chapter 4, "Using Interaction Maps to Create Brand Experiences and Relationships," Andrew J. Razeghi and Bobby J. Calder explore the varieties of relationships that customers have with brands and the implications of the anthropomorphic process of attributing personalities to brands. They present a logic and methodological process for mapping a customer's interactions in a consumption setting (e.g., with a service provider). This detailed charting can be used to describe the current state, as well as to postulate an ideal, goal state, in which the customer interactions with the provider may go beyond the conventional, far to the innovative, to approach higher levels of customer satisfaction. The authors demonstrate the utility of this mapping approach to the case of the Celebration Health Care organization.

Lisa Fortini-Campbell discusses how you might best communicate with your customers in Chapter 5, "Integrated Marketing and the Consumer Experience." She reminds us that a marketing manager should not make assumptions about consumers' perceptions of a brand—rather, marketing managers should go out there and listen to their customers. Customers often value brands for many reasons that could be largely unanticipated by the prevailing wisdom of the brand manager. Fortini-Campbell describes how customers form impressions and make assumptions about even apparently minor features of brands (e.g., price, channel availability, packaging colors). She shows how readily customers' impressions of brand features are tied to their perceptions of the brand's overall equity. She offers two analytical tools. First, she describes how to create a brand inventory of every piece of information about a brand—every one of a customer's contacts with the brand. Second, she uses these inventories to diagnose qualities about the brand and to form a mapping of the brands, and competitors' brands, into perceptual maps characterized by customer emotions, including delight, annoyance, disgust, and frills.

Only those managers not paying attention to current marketing phenomena would not have heard the otherwise unusual phrase *Viral Marketing.* In Chapter 6, "Strategies for Viral Marketing," Maria Flores Letelier, Charles Spinosa, and Bobby J. Calder substantiate what has heretofore been largely buzz. The authors present ideas that explain how customers help, or hurt, the marketing process. They describe opinion leaders, those sources of desired buzz. The chapter shows how important it is to learn about the various communities, or segments of interacting customers who are driven by different motivations, and ways to engage these different groups, given that they value different benefits. The chapter is rich in examples—from BWM to Martha Stewart.

Lisa A. Petrison and Paul Wang remind us in Chapter 7 that the key to customer loyalty, brand equity, and, ultimately, profitability is the job of "Acquiring the Right Customers." Marketers know that it costs a lot to acquire customers, and the authors elaborate on such marketing efforts. Petrison and Wang describe the scenarios for which acquisition is a sensible strategy. They discuss traditional means of acquiring customers, including mass media and direct marketing, and they offer their present vision of more optimal, longer term-oriented, direct customer contacts. These direct contacts are facilitated with data and information that can be used to profile the customer, and then to assess a customer's desirability and status. Petrison and Wang offer us a means of answering the question, "Is this customer a 'good' one, worthy of acquisition?"

In tune with the marketing goals of Chapter 7, Edward C. Malthouse, in Chapter 8, "Database Sub-Segmentation," walks us through the task of how we might find relationship segments. Traditional market segments are often too large to be useful, and one-to-one marketing efforts are still technologically and logistically unrealistic. Meeting somewhere in the middle, more refined than big, rather heterogeneous segments, but more actionable than segments of size one, Malthouse shows us how to use a variety of data sources and analytical techniques to achieve this more optimal middle solution. He talks about enlisting buying segment information, such as geographic-based data, and integrating it with data-mining exercises on a company's extant database, such as their lifetime customer value assessments. With these data sources and options among technical tools, the marketing manager can understand much more clearly which customers are profitable and those that are not worth the company's targeted marketing efforts.

Continuing with this logic, in Chapter 9, "Customer Profitability and Diagnosing a Customer Portfolio," Francis J. Mulhern shows us how to precisely measure customer profitability. He reminds us that profitability requires the measurement of customer revenue streams, but also costs. He describes and assesses the usefulness of a variety of indices that describe the range in profitabilities of customer segments. He works through these indices using an example of ready-to-eat cereals.

In Chapter 10, "Decision-Guidance Systems," Nigel Hopkins, Adam Duhachek, and Dawn Iacobucci describe qualities of the ideal information system for the marketing manager. Current practice falls short, in part because opportunities for customer insights are not used strategically. Better planning allows for more efficient research efforts, and more precise analyses allow for more actionable and useful results. Marketing managers do not want extensive, well-coordinated databases as an end in themselves. Rather, these are but high-technology tools to facilitate serving customers, building brands, and truly understanding the marketplace.

Chapter 11, "Scoring Models," demonstrates how the marketing manager can plan effectively and spend marketing dollars efficiently by optimizing customer contacts. Edward C. Malthouse demonstrates how to use several data-mining techniques to try to predict customers' future purchase behaviors. He works with concepts such as lifetime customer value, customer retention, and even an understanding of customer defection to inform the marketing manager which marketing tactics have been, and would be, most useful. Malthouse presents two illustrations—the applications of his ideas to catalogue purchases and to magazine subscriptions—to demonstrate how complementary data sources can be used to build a database and a scoring model. He also demonstrates how the marketing manager can evaluate the usefulness of those scoring models.

In Chapter 12, "Integrating Marketing and the Web," Eric G. Berggren, Bobby J. Calder, and Richard I. Kolsky talk about the topic that everybody feels knowledgeable about, yet all too often is proven otherwise. The Internet provides a tremendously powerful opportunity to reach customers, and there is no reason this channel cannot be used in a highly successful manner.

The authors first analyze and revisit some of the classes of errors made in primitive attempts by companies to harness the potential energy of the Web. Next, they share their vision of how to succeed. (Hint: Do not forgo your marketing; e.g., segmentation, positioning of the brand.) They offer two in-depth case illustrations of integration in action: Priceline and eBay.

Kellogg on Integrated Marketing closes with two perspectives. Bobby J. Calder considers "An Illustration of Integrated Marketing" in Chapter 13. In Chapter 14, "Reflections on Becoming a Great Marketing Organization," Stephen Burnett tells stories of lessons learned and lessons shared from a variety of customers of the Kellogg School of Management's executive programs in marketing. Kellogg has earned its reputation as the premier marketing business school in part because of numerous successes, such as implementations in companies by managers who came to the Kellogg training programs with questions and who left as marketing strategists. We hope that this volume continues to contribute to the stimulation of raising marketing questions and effecting useful marketing solutions.